

Rewarding Virtuous Citizens

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2019-06-17T10:07:21

A Social Credit System rewards citizens who are seen as virtuous and punishes those who are not. Consider someone with a low social credit rating resulting from traffic violations, a few missed loan repayments, a divorce, and clipping nails in a public space. Would it be fair to ban this person from flying? Few would think that is particularly fair. Indeed, the Chinese Social Credit System, in particular as presented by Western media, is widely seen as the height of technological dystopia.

But is that intuition well founded? [Wessel Reijers has sought to identify](#) features that he takes to justify a rejection of the Chinese Social Credit System but forgoes an equally critical consideration of the alternatives. Relying on the market, the default solution of Western societies, is not obviously more just. Indeed, as I argue, while Social Credit Systems may have their flaws, (i) we tend to be very reluctant to apply similarly stringent moral criteria to Western capitalist institutions and, in fact, (ii) a Social Credit System may actually serve to make Western societies more just. Nonetheless, while I am more sanguine than Reijers about shaping the behaviour of citizens through Social Credit Systems, I agree with him that it is potentially an incredibly powerful and therefore dangerous social technology. We should not focus on the technology itself, however, but rather on the political institutions that govern it.

What is a Social Credit System?

In its [2014 Planning Outline for the Construction of a Social Credit System](#), China formulated the objectives of the Social Credit System as that of 'raising the honest mentality and credit levels of the entire society'. To this end, it 'uses encouragement to keep trust and constraints against breaking trust as incentive mechanisms'. This, the outline promises will mark a major step in 'comprehensively implementing the scientific development view and building a harmonious Socialist society'.

The 2014 Outline goes on to list a wide range of pathologies that the Social Credit System is meant to solve. Most fundamentally, there are not enough social institutions to incentivise trustworthy behaviour. For the Chinese state, being trustworthy means primarily complying with the law and adhering to contracts. This is a problem because the rapid economic development in China has eroded traditional social structures and gave rise to a semi-autonomous private sphere that is instable and plagued by a range of social pathologies. Amongst those that the Outline identifies are 'especially grave production safety accidents, food and drug security incidents [...], commercial swindles, production and sales of counterfeit products, tax evasion, fraudulent financial claims, academic impropriety and other such phenomena', which 'cannot be stopped in spite of repeated bans'. In addition to flaws in the legal system, financial markets are underdeveloped, services provided are insufficiently regulated and 'the mechanisms to protect the rights and interests of credit information subjects are flawed'. There is widespread discontent about all

these matters and, as the Chinese state candidly puts it, ‘a difference between the extent of sincerity in government affairs and judicial credibility, and the expectations of the popular masses.’

Because these problems are so diverse, it is not surprising that 2014 Outline has prompted an incredible range of initiatives at the levels of the central government, local government, and the private sector. There is, accordingly, not one Chinese Social Credit System, but rather a range of initiatives aimed at documenting behaviour of citizens to punish breaches of social trust as well as rewarding trustworthiness.

Defending the Social Credit System

The 2014 Outline lists severe problems facing Chinese society today. If Social Credit Systems indeed contribute to trustworthiness and a responsible use of autonomy in the private sphere, that would constitute a strong case in its favour. If, instead, all it does is to create widespread fear and oppression, inhibiting individuals from using the freedom that the private sphere provides them, that would count against the Social Credit System.

Probably the truth is somewhere in the middle and I do not think we should expect too much from the Social Credit System. Unlike Reijers, I do not think take the justification of the Chinese Social Credit System to depend on big questions such as our ideas about citizenship and utopic visions of the just society, which in any case I take to be too big to answer here. It also strikes me as unfair to cast the Social Credit System as a dystopian technology by invoking moral standards, which we forgo applying to our own, Western institutions. Indeed, as I will now show, political philosophers have tended to apply quite modest moral standards to Western capitalist institutions.

The reason why philosophers have been reluctant to be more demanding in theorising the moral demands that apply to our institutions, in particular those specific to a capitalist society, is that they do not do very well in giving individuals what they morally deserve. Consider some well-established failings of a market economy. First, in response to the specific concern raised by Reijers, markets, too, ‘make’ citizens by incentivising a set of behaviours, which are unlikely to correspond to individual’s standards of virtuous action. The price mechanism that underlies market exchanges is mostly just sensitive to skills needed to successfully anticipate market prices. Second, even where the market does reward certain virtuous actions, it rarely does so in a way that is proportionate to individual virtue. People who go to work diligently all their lives are rarely those most rewarded, while many markets provide high rewards to only a small group of participants. Even perfectly competitive markets do not reward contributions in proportion to their benefit to others. Finally, the price mechanism is past-focused. In fact, it tends to look more at what parents of beneficiaries have done than what they themselves have done. This is in part due to the dramatic failure of the existing system of private credit assessment, one of the issues that the Chinese system is meant to address, but also reflects a more general backward-looking tendency of the price mechanism.

Faced with these well-established facts, those who favour markets have tended to give up on the idea that societal institutions should be evaluating in terms of how they reward virtue. Indeed, this is a striking point of convergence between authors on the (moderate) left such as John Rawls and Elizabeth Anderson, as well as right-wing thinkers such as Friedrich Hayek. While these authors assign an important role to the individual autonomy that the market enables, they believe that markets should not be expected to reward virtue. Rather, they should be evaluated by asking whether its outcomes are justifiable. It is, thus, to the basic structure as a whole that Rawls applies his famous difference principle, according to which unequal outcomes are permissible as long as they are to the greatest benefit of the least advantaged. Hayek and Anderson, of course, have their own conceptions of justice, but they agree that, if markets are justifiable, there is no further question of whether virtue is adequately rewarded. By this standard, the Social Credit System seems to do just fine.

A Social Credit System for the West

Now, let me go a bit further and suggest that a well-designed Social Credit System might actually make Western capitalist societies more just. Of course, not all systems currently promoted by the Chinese state are Social Credit Systems in the sense at issue here.

Similar to Reijers's definition, I take a Social Credit Systems to be an institution that has two features: (i) a centralised way of rating the virtuousness of citizens based on observable traits, linked to (ii) societal rules that reward individuals with high ratings and punish those with low ratings. In light of these criteria, some systems introduced under the Social Credit System-heading are better understood as traditional coercive punishment systems. They focus on specific behaviour, like not repaying credit or entering the cockpit during a flight, and involve proportionate punishments, such as losing access to credit or being banned from air flight.

An actual Social Credit System is unlike a punishment system in that social credit rating mediates between behaviour and individual freedom. The Chinese Social Credit Systems seek to incentivise a range of behaviours associated with adherence to promises and rules as well as other social virtues. To this end, a Social Credit System can rate individuals for behaviours that are neither legally prohibited nor morally wrong – e.g., parking cars, divorcing, and clipping nails on public transport. On the basis of such a broad set of socially desirable behaviours and personality traits the SCS rates the virtuousness of individual citizens, which in turn affects the opportunities and resources that are available to them.

Social Credit Systems of this targeted kind can ameliorate all three objections that I listed. First, although a Social Credit System will be coercive on the individual level, its design can result from collective, democratic deliberation and thus it is potentially sensitive to a much wider range of behaviours that are seen to merit reward. Basically, any behaviour that can be reliably measured is a potential input for a social credit rating. Second, ratings can be designed to ensure reward in proportion to social virtue. Finally, a social credit rating is future-oriented in that it seeks to

predict individual behaviour, rather than merely rewarding virtuous behaviour that occurred in the past.

The Politics of Social Credit Systems

There are, of course, many moral objections that critics might wield against Social Credit Systems, and I do not want to suggest that there are no real worries. In particular, there is a range of concerns that, while they do not apply to Social Credit Systems *per se*, illustrate the need for an appropriate set of background institutions. For one, there are procedural concerns over the design and operation of the Social Credit System. For the Chinese Social Credit System, it is currently not possible to appeal both individual ratings and the consequences of these ratings for individuals. Likewise, there is a serious concern regarding privacy stemming from the fact that its aggregative ratings are based on widespread surveillance of individual behaviour. Finally, the rules that govern the assignment of ratings are often opaque. Without wanting to downplay any of these objections, I think it is fair to say that they are not about Social Credit Systems *per se* but rather about the set of political institutions in which they are embedded. All of this is not surprising, since Social Credit Systems are potentially an incredibly powerful social technology, which comes with potentially large benefits but equally with risks.

